

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: ALICO, AMOUNT OF SETTLEMENT

REF: ISLAMABAD 7998 AND PREVIOUS

1. IN OUR CONVERSATIONS WITH ALICO REPS, JOHN COX HAS
INFORMED US THAT WHEN HE AND DAVID ABSHIRE MET WITH NAIK
ON 21 MAY 1973, NAIK INSISTED THAT RATE OF EXCHANGE ON
DATE OF PAYMENT RPT PAYMENT, NOT DATE OF TAKEOVER,
GOVERNED, AND THIS MATTER OF LAW AND NOT SUBJECT
NEGOTIATION. ALICO MADE MAJOR CONCESSION BY ACCEPTING
THIS ON ASSUMPTION "DATE OF PAYMENT" EXCHANGE RATE RULE
WOULD BE EMPLOYED ON ALL ASPECTS OF SETTLEMENT. THEY THUS
CALCULATED THEIR BANGLADESH LIABILITIES ON BASIS 1.35
RUPEES EQUAL ONE TAKA. HOWEVER, IT NOW TRANSPiRES THAT
GOP SETTLEMENT FIGURES ARE BASED ON ONE RUPEE EQUALS ONE
TAKA EXCHANGE RATE, THUS INDICATING GOP WANTS ONE EXCHANGE
RATE FOR PAYMENT, ANOTHER FOR CALCULATING BENGALI
LIABILITIES ALICO. IN ALICO TERMS, GOP "CANNOT HAVE IT
BOTH WAYS".

2. COX ASKED FOLLOWING MESSAGE BE SENT ISLAMABAD: "THERE
IS APPARENTLY STILL A DIFFERENCE IN CALCULATING AMOUNT
DUE ALICO THAT WE THOUGHT HAD BEEN CLEARLY RSOLVED
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DURING DISCUSSION IN PAKISTAN AND SUBSEQUENTLY CONFIRMED

TO SANDERHOFF AND SOBER. THE APPARENT DIFFERENCE FOLLOWS--
WE CONCEDED TO ACCEPT EXCHANGE RATE ON DATE OF PAYMENT

INSTEAD OF EXCHANGE RATE EXISTING ON TAKEOVER OF MARCH 18,
1972. THIS WAS MAJOR CONCESSION ON OUR PART. IN
DETERMINING AMOUNT DUE ALICO ON DATE OF PAYMENT, THEREFORE,
THE EXCHANGE RATE APPLICABLE TO LIABILITIES OF ALICO IN
BANGLADESH MUST BE DETERMINED ON CURRENT RATE OF EXCHANGE
WHICH IS 1.35 RUPEES FOR EACH TAKA. TO ACCEPT ONE RUPEE
FOR EACH TAKA WHICH IS WAY PAKISTAN GOVERNMENT IS
DETERMINING PAYMENT CURRENTLY, WOULD PROVIDE INSUFFICIENT
RUPEES TO COVER TAKA LIABILITIES IN BANGLADESH.
IF WE ARE TO USE EXCHANGE RATE ON DATE OF PAYMENT INSTEAD
OF DATE TAKEOVER, THEN EXCHANGE RATE CURRENTLY APPLIC-
ABLE TO TAKA MUST ALSO BE USED. ANY OTHER CONCLUSION
IS ILLOGICAL AND FURTHER REDUCES PROPER COMPENSATION
DUE ALICO. ALL OF THIS COVERED PREVIOUSLY AND WOULD
APPRECIATE YOUR PROMPT CLARIFICATION THIS POINT SO THAT
PAYMENT CAN BE EXPEDITED."

3. DURING BHUTTO'S STAY IN WASHINGTON, SOBER HAD
OCCASION TO MENTION BOTH TO HIM AND KAZI THAT DISCREPANCY
EXISTED BETWEEN AMOUNT GOP SAID IT WAS PREPARED TO PAY
AND AMOUNT ALICO UNDERSTOOD HAD BEEN AGREED DURING MAY
NEGOTIATIONS IN ISLAMABAD. SOBER EXPRESSED HOPE DIS-
CREPANCY WOULD BE QUICKLY STRAIGHTENED OUT. SUBSEQUENTLY,
GREENBERG AND COX HAD OPPORTUNITY DISCUSS MATTER WITH
BHUTTO AND KAZI IN NEW YORK, IN PRESENCE OF AMBASSADOR
SULTAN KHAN. ALICO INDICATED THAT COX IS PREPARED TO
RETURN ISLAMABAD IF REPEAT IF GOP READY TO WRITE CHECK
FOR MUTUALLY AGREED AMOUNT. IN INFORMING SOBER OF ABOVE,
COX SAID HE NOT PREPARED TO RETURN ISLAMABAD FOR JUST
ANOTHER NEGOTIATING SESSION.

4. PLEASE FOLLOW UP PROMPTLY WITH NAIK AND WITH KAZI,
WHO NOW RETURNING TO PAKISTAN. APPRECIATE YOUR
CONTINUING KEEP US INFORMED. KISSINGER

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